

# Special Accounts Senior Management Committee (SASMC)

## Meeting Notes and Action Items

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*November 17, 2015, 3pm – 5pm*

*William Jefferson Clinton Federal Building, Room 5213*

### Attendees in Person

Jim Woolford, OSWER/OSRTI Director  
Tracey Stewart, OSWER/OSRTI  
Cyndy Mackey, OECA/OSRE Director  
Rafael Deleon, OECA/OSRE/Deputy Director  
Patricia Mott, OECA/OSRE/RSD  
Manuel Ronquillo, OECA/OSRE/RSD  
Meshell Jones-Peeler, OCFO/OFM Acting Deputy Director  
Kevin Brittingham, OCFO/OFM/PCS  
Nikki Wood, OCFO/OFM/PCS  
Carol Terris, OCFO/OB Director  
Laura Ripley, OCFO/OB/TFAAS  
Andrew Erwin, OCFO/OB/TFAAS  
Marianne Dubinsky (Booz Allen Hamilton)

### Attendees via Phone

Walter Mugdan, Region 2/ERRD Director  
Courtney McEnery, Region 2/ERRD  
Kristin Giacalone, Region 2/ERRD  
Serena McIlwain, Region 9/EMD Director  
Kathy Meltzer, Region 9/EMD  
Randy Sargent, OCFO/OFS/CFC  
Jessica Kwan (Booz Allen Hamilton)  
Tony Smaldon (Booz Allen Hamilton)

### Introduction

The SASMC meeting commenced with the in-person attendees introducing themselves and Jim Woolford welcoming the attendees who were attending via phone. Woolford briefly described the agenda items and goals for the meeting that are listed in the PowerPoint presentation titled “SASMC\_November 2015 Presentation\_Final”.

### Highlights from the Past 6 Months

Starting on slide 3 of the PowerPoint presentation, Tracey Stewart informed the group that the staff in the Office of Superfund Remediation and Technology Innovation (OSRTI), Office of Site

Remediation Enforcement (OSRE), and the regions were able to resume the regular process for special account updates in the Superfund Enterprise Management System (SEMS) for Fiscal Year (FY) 2015 mid-year planning. Stewart noted that some issues were encountered in regards to Primavera, SEMS, and reports, but that many issues have been resolved and regions are following the standard special account processes for data entry and reporting.

Stewart noted that OSRTI reviewed reclassifications, transfers to the Trust Fund, and account closures for the Federal Managers' Financial Integrity Act (FMFIA) requirement, which was discussed later in the meeting. Stewart also noted that OSRE, the Cincinnati Finance Center (CFC), and the Office of the Chief Financial Officer (OCFO) worked on the distribution of receipts from the Anadarko settlement, determining Trust Fund placement versus special account placement for receipts.

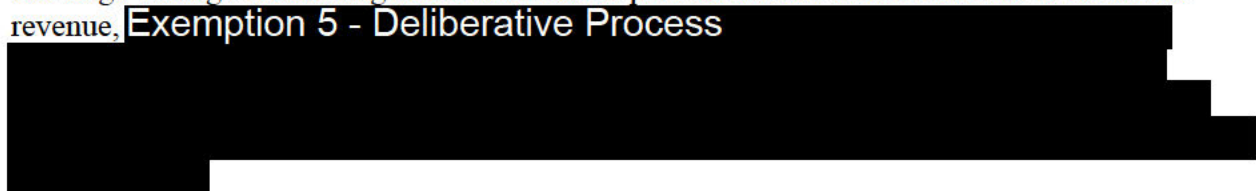
Manuel Ronquillo updated the group on the Special Account Disbursement Guidance and Special Account Consolidated Guidance being drafted. Ronquillo stated that these guidance documents have been updated and will be ready for review by staff and regions.

OFM updated attendees on the establishment of new accounting models for the receipt account in the Superfund Trust Fund and investments for special account funds. Meshell Jones-Peeler stated that they are waiting on the final sign-off from the Office of Management and Budget (OMB), but the Anadarko settlement was transferred to the 0.006 receipt account in the Trust Fund before the end of the fiscal year.

Stewart mentioned that OSRTI has been working closely with Office of Budget (OB) and CFC to use fields in the new account code structure in order to provide consistency in the way regions identify special account numbers for transactions; at this point regions are not all using the same fields consistently. OSRTI developed a proposal to discuss with the regional comptrollers to determine whether or not the use of the new fields would be suitable. Carol Terris noted that she had approved the proposal. Stewart stated that discussions with the regions would be held in December.

Meshell Jones-Peeler stated that the Office of Inspector General (OIG) had questions during the financial statement audit in regards to account receivables. Jones-Peeler mentioned that OCFO had to go through accounting reclassification of past costs from earned revenue to unearned revenue.

#### Exemption 5 - Deliberative Process



Jim Woolford then opened the floor for questions. Once it was determined that there were no questions, Woolford concluded the discussion of the highlights from the past six months, and directed the conversation to the Office of Financial Management (OFM).

## Update on Placing Special Account Funds in the Trust Fund and Investment Strategy

Jones-Peeler recalled to the group that a new process for handling special account collections had been discussed at prior SASMC meetings because of the \$1.4 billion dollar Anadarko settlement. Given the amount of the collection from Anadarko, OMB agreed to the establishment of the receipt account. Jones-Peeler stated that there were a number of accounting transaction challenges with the funds. The OIG raised questions during the financial statement audit because they felt that because the settlement funds placed in special accounts would be used for future costs the collection of past costs should not be considered earned revenue. To account for this, a new accounting practice was implemented in which special account money in the TR2B (past costs and earned revenue fund code) was moved to unearned revenue on the accounting side. Jones-Peeler said that there have been questions from the regions as to whether the TR2B fund code will no longer be used, but this is not the case; the TR2B fund code will continue to be used, but the transaction on the back-end will be altered to unearned revenue rather than classified as earned revenue. Ronquillo inquired whether the regions will continue to make the distinction between future and past costs, and Jones-Peeler confirmed that this will occur, but that it will appear as unearned versus earned. Woolford asked whether this change would be transparent on the program side or whether it should be a concern, and Jones-Peeler confirmed that it will be transparent but that the Resource Management Directive policy for special accounts will need to be updated. Stewart noted that the Consolidated Guidance now includes definitions of the special account fund codes, but that she believes the definition includes earned and unearned, which will need to be updated. Kevin Brittingham said that receivables can be for past or future costs, but on the accounting side they will all be considered unearned revenue. Stewart mentioned that on the previous National Special Accounts call, one of the regions asked whether the TR2B fund code would be eliminated. Jones-Peeler suggested informing the regions on conference calls to discuss the distribution of this information to the regions more effectively, as well as drafting an email to inform the regions of the changes.

On the topic of investment strategy, Jones-Peeler mentioned that they now receive separate financial statements with a breakout of the investments for special accounts from the Bureau of Fiscal Services (BFS) due to the new point account system (i.e. 0.006). Jones-Peeler clarified that there is now a new point account for special accounts (.006), and a sub-account in the Trust Fund (68x8145.2) to provide the separate financial statements for investment of special account funds. Jones-Peeler stated that one of their goals is to work with Stewart to determine the timing of when special account funds will be used because they would like to use that information as part of their diversification strategy for investing the funds. Stewart said this could be used in discussions with the regions in regards to their planning data. Stewart noted that this could be a great opportunity to improve the planning data, as many regions are concerned with getting better interests rates on special account money, especially for funds that will be used in the long-term. Woolford noted that this also fits into the Remedial Acquisition Framework, whether all the money is needed up front or the money can be distributed over time. Stewart suggested that this be included in the Management Strategy, due in 2<sup>nd</sup> quarter FY 2016, as well as the Data Monitoring Plan. Nikki Wood mentioned the possibility of a more conservative approach for investing; she offered to do an analysis of the Return-on-Investments (ROI) for different investment options. Stewart noted that the SASMC may want to be involved in the discussion on



the timeframe for investing funds. Woolford stated that the committee would like to see this analysis and be involved in this discussion, and Woolford asked those on the phone if they agreed that the committee should be engaged in conversations with OFM. Serena McIlwain agreed with this strategy.

Wood proceeded to review slide 7 of the PowerPoint presentation and discussed sub-accounts within the Trust Fund based on the new accounting and financial procedures by the BFS. Ronquillo asked whether these sub-accounts were receiving the same interest rate compared to the Trust Fund account, or whether it depends on how the money is currently invested. Wood responded that the entire Trust Fund and sub-accounts earn interest as one pool of funds, but the financial statements and creation of a sub-account for special accounts allows for special account investments to be tracked separately from the rest of the funds in the Trust Fund. Woolford asked if there was anything that needed to be done prior to updating Chapter 15 guidance in terms of notifying the regions. Wood stated that enforcement participates in a monthly Superfund call and that this message should be organized and distributed to the regions and stakeholders. Woolford noted that there is a monthly call with the Division Directors, but that they could get on the agenda for this call. Jones-Peeler suggested that they would put together an e-mail to distribute the message. Next steps include monitoring the monthly Treasury prepared investment statements and provide an update of the new process at the next SASMC meeting.

## Notification/Request Process for Special Account Reclassifications, Transfer to the Trust Fund, and Account Closures

Stewart discussed the review that was done for OSRTI's FMFIA requirements in FY 2015, which occurs every five years. Special account reclassifications, transfers, and closures were reviewed in light of the OIG recommendation from their 2009 report to make sure that appropriate controls are in place to ensure that requested and planned actions occur as scheduled. Stewart then reviewed the current process for reclassifications, transfers, and closures on slide 11 of the PowerPoint presentation:

- During the planning process, regions review accounts and enter plans for reclassifications, transfers to the Trust Fund, and account closures in SEMS for the current fiscal year and following two fiscal years;
- If the reclassification or transfer to the Trust Fund will be less than \$200K, regions may notify the Cincinnati Finance Center (CFC) requesting them to complete the transaction and carbon copy Headquarters (HQ) staff;
- If the reclassification or transfer to the Trust Fund will be \$200K or more, the region must prepare a memorandum signed by the regional Superfund Division Director and send to the office directors for the Office of Emergency Management (OEM), OSRE, and OSRTI;
- Regions may email requests to CFC for account closures, but must carbon copy HQ staff;
- CFC can process reclassification and Trust Fund transfer requests for less than \$200K without further action by HQ; and
- Once HQ acknowledges receipt of the memo for actions of \$200K or more, CFC can process the request.

Stewart noted that from the analysis of planned reclassifications, transfers, and closures between FY 2009 and FY 2014, not all planned actions were completed. About one third of all planned actions each year were pushed out to the next FY. Stewart and Ronquillo review special account plans twice a year during mid-year and end of year work planning and were able to use the planning data to track this ongoing trend. They found that even when modifications were made to the notification requirements for actions less than \$200K versus more than \$200K, the planned actions not completed still remained at around one third. Stewart commented that some of these plans changed to different planned uses, which HQ tracks through the work planning and mid-year review process for planned uses of special account funds.

HQ received all notification requests for reclassifications but did not receive notifications for all the transfers and closures that occurred. This seemed to be due to HQ only being carbon copied on requests to CFC for actions less than \$200K, and in some cases regions forgot to carbon copy HQ on the requests. Stewart also noted that all of the tracking is currently done manually, as all notifications are received via email, and there could be errors due to the manual tracking of receipt of notifications. When a notification is sent to the CFC and it is not completed, HQ does not keep a record of why it is not completed. For example, there are issues with negative available balances in special accounts that cannot be closed and HQ is working with the CFC to keep track of why certain notifications have yet to be resolved. Stewart said that an action item for herself is to write why actions are not completed in the quarterly tracking of requests regardless of how the process may be improved in the future.

Starting on slide 13 of the PowerPoint presentation, Stewart discussed a number of proposals for the committee outlined below:

1. *Automate notifications/requests via SEMS or SharePoint:* By centralizing automated requests through one system it will allow regions, HQ, and the CFC to review status of these notification requests which will reduce errors in manual tracking and it will simplify the tracking for regions, OSRTI, and CFC. Included would also be the ability to request for the transfer of receipts and interest earned among accounts for a site. A member noted that SEMS was the preferred system highlighting the possibility of a linkage between the planning, requests, and completions.
2. *Create a checklist or form for all requests rather than using a memo:* This would simplify the request process and provide additional efficiencies rather than requiring memorandums to be written or emails. If the checklist or form is generated through SEMS, some of the site data could be automatically populated from SEMS into the form.
3. *Include in the tracking of requested actions the reason it was not completed:* This proposal would improve internal controls for incomplete actions by placing a follow-up mechanism. One member mentioned that if this was done through SEMS, CFC would need access to SEMS in order to provide reasons for why the requested actions were not completed. Stewart did not think this would be an issue based on preliminary discussions with the SEMS team in OSRTI.
4. *Approval process for actions greater than or equal to \$200K:* Currently regional Superfund Division Directors sign off on actions greater than or equal to \$200K, which are then sent to OSRTI/OSRE/OEM office directors. Stewart inquired how OSRTI, OSRE, and OEM wanted to be notified under the automated process.

During the approval process, Ronquillo stated that he and Stewart review the draft memorandums for actions \$200K or greater. Stewart noted that if there are big actions for which there are questions about future use, the actions are sent to Woolford for review, otherwise most are approved.

Wood asked Stewart what the average totals are for actions less than \$200K and actions greater than or equal to \$200K. Stewart said that on average, reclassifications less than \$200K totaled about \$1.7 million in 19 accounts per year, and actions greater than or equal to \$200K total about \$38 million in 27 accounts per year. Stewart explained that rarely do they receive a large transfer as it is uncommon. Jones-Peeler asked Randy Sargent for comments as to whether this should be done through SEMS or SharePoint, and Sargent said CFC did not have concerns with either system. Jones-Peeler then asked the group if it would be difficult to get people to use SEMS and Woolford stated that it would not be difficult.

Stewart noted that she had a preliminary discussion with the SEMS developers to determine if a work-flow process through SEMS is even possible, and she was told that this had not been done before but is possible. Carol Terris asked whether this process could be incorporated into OB's recertification database, and Stewart made a note to follow up on this idea. Exemption 5 - Deliberative Process

[REDACTED]

Woolford directed the conversation to McIlwain and Mugdan for comments. Walter Mugdan commented on the topic of SEMS versus SharePoint, saying that SEMS might be the best option, although challenging. Mugdan noted that it might be easier to do SharePoint up front, but more efficient to use SEMS in the long run. Terris commented that using the recertification database would be a good interim solution until this process was transferred to another form of technology.

Stewart directed the conversation to the list of proposed next steps outlined on slide 14 of the PowerPoint presentation for the committee to consider. Next steps included forming a workgroup to discuss the automation process, consisting of SASMC staff and regional volunteers. The workgroup would hold bi-weekly calls to discuss the use of SEMS or SharePoint, workflows needed, and development of a standard form to be filled out for requests. The goal would be to have a new tool developed by the beginning of 4<sup>th</sup> quarter FY 2016, although this would be dependent on technology requirements.

Woolford asked Mugdan whether he has a preference on the threshold for regional Superfund Division Directors to sign off on requests, which is currently at \$200K or more. Mugdan commented that the threshold does not matter to him. Exemption 5 - Deliberative Process

[REDACTED]

Woolford proposed leaving the threshold at \$200K. Stewart noted that \$200K was based on the 2010 FMFIA review because writing memos for smaller transactions is a significant workload for a low return. Exemption 5 - Deliberative Process

[REDACTED]



## Exemption 5 - Deliberative Process

Stewart concluded the discussion by outlining the following action items: form a work group, evaluate a system, and leave the regional Superfund Division Director approval and OSRTI/OSRE/OEM notification threshold at \$200K. Stewart will provide an update on the status of these efforts at the next SASMC meeting in 6 months.

### Additional Opportunities to Direct Site Charge to Special Accounts

Terris opened the discussion in regards to direct site charging to special accounts and stated that since the last meeting, the work group has been looking in more detail into the topic of charging indirect costs as direct site costs. Laura Ripley mentioned that since June 2015, the work group started exploring additional opportunities for directly charging special accounts to conserve congressionally appropriated funds and maximize the use of special account resources. The current balance for all special accounts totals over \$3.4 billion. Ripley reviewed the data on slide 17 of the PowerPoint presentation, discussing the available balances in each region and commenting that a large amount of the resources received can be attributed to the Anadarko settlement.

Ripley provided the results from a review of special account utilization, which identified additional areas in which direct charging to special accounts may be increased. Ripley noted that the highest utilization of special account resources occurred in FY 2011, between FY 2011 and FY 2014 the utilization went down, but then increased in FY 2015 close to the FY 2011 rate. Ripley also looked at pay versus non-pay categories to determine if resources were primarily being used for contracts or if some resources were being used for intramural use. Ripley reviewed the results of this analysis on slide 19 of the PowerPoint presentation, stating that all regions are using resources for non-pay utilization (i.e., contracts and grants/cooperative agreements) and that Region 1 does not use any resources for payroll.

Stewart noted that Anadarko and other large settlements skew the analysis because larger totals lower the burn rate and alter the timing for the use of the funds.

Ripley stated that the underlying question is in regards to the logical amount that regions can conceivably plan to spend each year. Wood asked the group if an analysis could be done of planning versus actual spending to determine how accurate the plans are. Jones-Peeler noted that they could help put together a trend analysis in the diversification strategy, especially since OIG often asks questions on the increasing balances and why money is not being spent. Stewart mentioned that the Government Accountability Office (GAO) did a review of the process, but the issue is that sometimes a large amount of funds are received in a year, and the money is planned to be spent slowly over a long course of time. Jones-Peeler agreed, stating that having this justification strategy codified would be useful when responding to questions from OIG.

Ripley then directed the conversation to the general observations outlined on slide 20 of the PowerPoint presentation. Overall, various strong and weak points were identified in each region,



for example Region 1 does not use payroll and Region 8 minimally uses payroll.

Exemption 5 - Deliberative Process

[REDACTED] Ripley commented that Region 10 utilizes and manages payroll for its employees well, and Woolford added that Region 9 does as well. Ripley then commented that some regions have been able to utilize special account resources well for working capital fund (WCF), and for grants and cooperative agreements. Mugdan noted that there is regional variation on the use of grants and cooperative agreements within the program overall. Ripley then reviewed utilization by program, noting that there is a lot of money used evenly in the Remedial and Removal programs; Superfund Enforcement has lower spending which is shared by OCFO and OECA; and Federal Facility does not have many special accounts, so utilization cannot be increased much in this area.

Ripley then went through a number questions designed to help determine what direction the senior managers would like to go:


1. Are there particular areas/programs for which senior managers would like to explore site charging? For example, should there be more direct charging to payroll consistently across the regions?
2. **Exemption 5 - Deliberative Process**  
[REDACTED]  
[REDACTED] Similar to the Contract Laboratory Program (CLP), should we do accounting adjustments on an annual basis rather than an as-needed basis prior to closing out the account? **Exemption 5 - Deliberative Process**  
[REDACTED]
3. In order to account for the variation in utilization across the regions, should the committee hold a session at the Cost Recovery Training Conference and/or the Budget Technical Workshop for regions to discuss their processes and challenges with using special account resources? This could be set up as a panel for regions to share best practices.
4. Based on feedback from conferences, the committee will evaluate whether a consistent approach/policy to direct charging should be established, consider implementing goals/measures to increase direct charging, and update guidance documents, develop best practices, review particular processes for improvements/efficiencies.

Mugdan asked whether changes to guidance documents would be necessary, because most regions would be able to provide justifications for higher or lower utilization of resources. For example, Region 2 was low in the use of payroll because there were two years in which Region 2 did no special account charging for payroll because after Hurricane Sandy, a large portion of the Superfund staff were drawn off to do work that was reimbursed by the Federal Emergency Management Agency (FEMA). Mugdan then noted that the practice in Region 2 is to use all of the appropriated payroll money first before special account money is used because if the region does not use 100% of its payroll money, the appropriated payroll amount will be reduced in the following year. Terris noted that regions should be using special account money first, and if appropriated payroll funds are not used in the year issued and carryover to the following fiscal year, it will provide more contract resources in the following fiscal year because fewer dollars



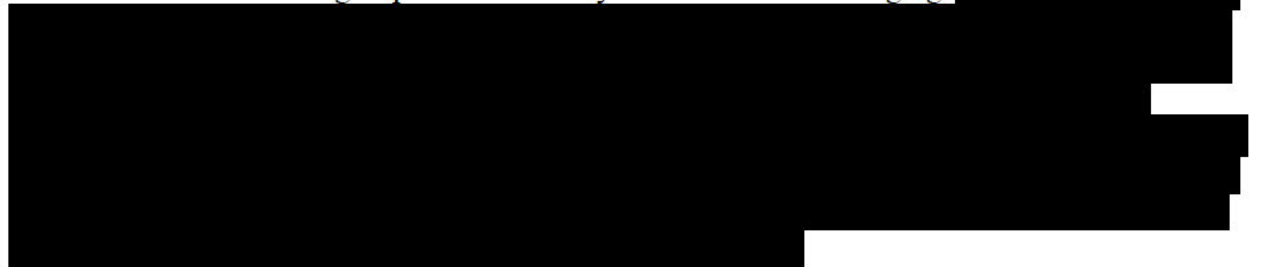
would be needed for payroll. Mugdan proposed asking regions to provide justifications for why their utilization may be higher or lower in particular categories. Terris agreed, and stated that the committee may need more input from the regions. Woolford stated that although the regions believe that their funds will be decreased if they do not use 100% of their payroll money each year, this is not the case, and this needs to be better communicated to the regions.

Woolford asked whether employees could charge 100% of an FTE to special accounts if they are charging 100% of their time to a site. Woolford stated that at some sites, remedial project managers (RPMs) are spending 100% of their time to sites with special accounts but cannot charge 100% of time to special accounts. Woolford clarified that staff are working 100% on a particular site, but costs such as leave and training not charged to the site are adding up, and McIlwain agreed that non-site charging add up to a significant amount that appropriated payroll dollars are needed to cover. Stewart asked if 100% could be charged to the site if no more cost recovery is being done, and Woolford followed up asking if this would be a policy call. Jones-Peeler said it was a policy decision made by OCFO in conjunction with OSRE. Exemption 5 - Deliberative Process



Stewart noted that a Full Time Employee (FTE) cannot be guaranteed when the special account runs out of funds, and as a result some regions have considered hiring term appointments. Terris also noted that the systems are designed such that site-specific fixed accounting numbers (FANs) for payroll charging are not allowed to be established due to the current policy, Exemption 5 - Deliberative Process.

Woolford then asked the group to think of ways to increase site charging. Exemption 5 - Deliberative Process



Stewart brought up how accounting adjustments are conducted for the CLP, and asked the group if the review could be broadened to look at appropriated spending for sites with special accounts, and Jones-Peeler agreed that this would be worth looking at. Stewart mentioned that from her

reviews, she has seen that special account money for payroll is being spent but that there is also an accounting line for appropriated funds for payroll. Stewart was unsure why this was the case and identified that there were higher charges under the Remedial program for payroll while the Enforcement program had lower charges. Terris asked whether this could be leave or training, and Stewart noted that leave or training would not be site-charged. Mott then asked whether these charges were for the same person, and Stewart noted that she cannot see specific people,

#### Exemption 5 - Deliberative Process

Ripley commented that CFC does work for a lot of the sites such as opening accounts, closing accounts, and reclassifications, and she asked whether there would be a way to allocate the time spent to make the process easier or even automated.

Jones-Peeler stated that Regions 3 and 5 have expressed the need to have a special account session at the Cost Recovery Conference.

Stewart recapped this portion of the conversation by stating that Superfund Enforcement and Records Management may be areas for improvement. Stewart then stated that the next step would be to prepare materials for the Cost Recovery Conference and the Budget Technical Workshop, which are both planned in spring 2016. Stewart also noted that she would like to hear from the regions to know in what areas they would like to improve or increase their charging, particularly if they are encountering problems. Staff will follow-up with the SASMC at the next meeting with feedback from the spring meetings.

### Upcoming Issues and Topics

Woolford then directed the conversation to the upcoming issues and topics listed in the presentation, and Stewart walked through the following items:

- Planned completions in the 1<sup>st</sup> quarter FY 2016 include the regions, OSRTI, and OSRE conducting FY 2016 special account work planning updates and reviews;
- Implement the new accounting models for special account receipts and disbursements from the point account in the Superfund Trust Fund. OFM and CFC are currently working on this effort;
- Finalize the rules for use of budget org field in new account code structure for special accounts. Stewart will follow up with Jackye Herzfeld;
- SASMC Annual Report for FY 2015 activities. Woolford suggested that Region 1 be highlighted for their utilization, and Stewart noted that Region 1 is the biggest spender for FY 2015 and will be highlighted;
- Begin updating the Special Accounts Management Strategy for 2016 – 2018. There is a requirement to update the strategy every three years, and the last strategy was issued in March of 2013;
- Planned completions in the 2<sup>nd</sup> quarter FY 2016 include issuing the Special Account Consolidated Guidance and Disbursement Guidance which are both ready for review. In



addition to the Special Accounts Management Strategy for FY 2016-2018, the FY 2017 special account narrative for the President's budget (to include language for the Anadarko and New Bedford Harbor settlements) will need to be updated;

- Staff will develop a process for automated notification requests for reclassifications, transfers, and closures; and
- OSRTI will conduct the CLP/Environmental Services Assistance Team (ESAT) reimbursement process during 2<sup>nd</sup> quarter FY 2016.
- Longer-term in FY 2016, the committee will discuss direct charging from special accounts for payroll and evaluate the creation for dashboards of special account data (i.e. quarterly reports). Stewart suggested the need for automated charts and graphics for special account data to aid HQ and regions. This particular area would utilize the Compass Business Objects Reporting (CBOR) and Compass Data Warehouse (CDW) databases.

## Conclusion

Woolford thanked everyone for attending the meeting. The next meeting will be in 6 months, schedule dependent. Stewart will send meeting notes out to attendees in December.

## Action Items

Below is a list of action items identified during the meeting.

**Table 1: Action Items for SASMC**

Item	Office Lead	Due Date
Draft email on use of TR2B fund code, point account, and investment changes for special accounts	OFM	December 2015
Update definition of special account fund codes in RMDS 2550D Chapter 15, Consolidated Guidance	OFM/OSRE	FY 2016
Set up workgroup for notification/request process for special account reclassifications	OSRTI	December 2015
Work with regions to prepare materials on special account utilization for the Cost Recovery Conference and the Budget Technical Workshop	OB	April 2016
Topics for next SASMC meeting: -Discuss investment options at next SASMC meeting -Update on notification process -Direct site charging	OFM OSRTI OB	May 2016